

## Message Text

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ORIGIN EB-07

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APPROVED BY: EB/OCA/CM/JSIMMONS

WARREN W. GLICK, ACTING EXECUTIVE VIC PRESIDENT

EB/IFD/RSWART

ARA/BR/JSLATTEY(INFO)

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R 291724Z JUL 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

UNCLAS STATE 178442

E.O. 11652: N/A

TAGS: APUB, BR

SUBJECT: PRESS RELEASE ON EXIMBANK CREDIT TO BRAZIL

FOR YOUR INFORMATION ONLY, FOLLOWING IS FINAL TEXT OF EXPORT-IMPORT BANK RELEASE ON THE DIRECT CREDIT OF \$32 MILLION TO CENTRAIS ELECTRICAS BRASILEIRAS (ELETROBRAS), OF RIO DE JANEIRO. RELEASE IS SCHEDULED FOR ANNOUNCEMENT HERE IN WASHINGTON, D.C. FOR A.M. PAPERS, FRIDAY, AUGUST 1, 1975.

QUOTE: EXIMBANK CREDIT OF \$32 MILLION SUPPORTS \$80 MILLION SALE OF U.S. POWER PLANT EQUIPMENT TO BRAZILIAN COMPANY

THE BOARD OF DIRECTORS OF THE EXPORT-IMPORT BANK OF THE UNITED STATES HAS AUTHORIZED A DIRECT CREDIT OF \$32 MILLION TO HELP FINANCE U.S. SALES TOTALLING \$80 MILLION FOR GAS TURBINES AND RELATED SERVICES REQUIRED FOR EXPANSION OF POWER FACILITIES IN BRAZIL. THE BORROWER IS CENTRAIS ELECTRICAS BRASILEIRAS (ELETROBRAS), OF RIO DE JANEIRO, BRAZIL.  
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PROCEEDS OF THE CREDIT ARE FOR THE USE OF CHESF, A SUBSIDIARY OF ELETROBRAS WHICH IS PLANNING THE INSTALLATION OF A TOTAL OF 390 MW OF PACKAGED GAS TURBINE SETS FOR POWER FACILITIES IN NORTHEAST BRAZIL. THE GAS TURBINE UNITS WILL BE INSTALLED AT

PLANTS IN SALVADOR, FORTALEZA, AND SAO LUIZ. TOTAL PROJECT COST IS ESTIMATED AT SOME \$137 MILLION, THE SALE OF EQUIPMENT TO BE PURCHASED FROM THE U.S. IN THIS TRANSACTION WILL HAVE A FAVORABLE IMPACT ON THE U.S. ECONOMY DUE TO THE DEPRESSED DOMESTIC MARKET FOR THIS EQUIPMENT. SIMILAR EQUIPMENT IS AVAILABLE FROM EUROPE AND THE FAR EAST.

THE EXIMBANK CREDIT REPRESENTS 40 PERCENT OF THE TOTAL U.S. SALE. A LOAN OF \$40 MILLION FROM PRIVATE SOURCES NOT YET DESIGNATED WILL COVER 50 PERCENT OF THE TOTAL U.S. COSTS OF WHICH \$24 MILLION WILL BE COVERED BY EXIMBANK'S FINANCIAL GUARANTEE. ELETROBRAS WILL MAKE CASH PAYMENT OF 10 PERCENT, REPRESENTING THE BALANCE OF THE U.S. COSTS. EXIMBANK'S INTEREST RATE OF 8 PERCENT PER ANNUM COMBINED WITH THE INTEREST RATE FROM PRIVATE SOURCES AT CURRENT RATES, WILL RESULT IN A BLENDED ANNUAL INTEREST COST TO THE BORROWER OF BETWEEN 8.4 PERCENT TO 8.65 PERCENT PER ANNUM.

THE LOANS ARE TO BE REPAID IN 20 SEMIANNUAL INSTALLMENTS BEGINNING APRIL 1, 1978, WITH EXIMBANK'S DIRECT CREDIT TO BE REPAID OUT OF A PORTION OF THE 12TH INSTALLMENT AND ALL OF INSTALLMENTS 13 THROUGH 20. REPAYMENT OF EXIMBANK'S DIRECT CREDIT IS TO BE GUARANTEED BY THE FEDERATIVE REPUBLIC OF BRAZIL. UNQUOTE  
INGERSOLL

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